



King County

Department of Assessments

Accounting Division

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Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2014 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2014 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

Fair and uniform assessments set the foundation for effective government and I am pleased that we are able to make continuous and ongoing improvements to serve you.

Please feel welcome to call my staff if you have questions about the property assessment process and how it relates to your property.

Sincerely,

Lloyd Hara
Assessor

Specialty Area 160: Hotels/Motels

W Hotel Seattle



Hotel Andra



Homewood Suites Downtown Seattle



Sheraton Hotel



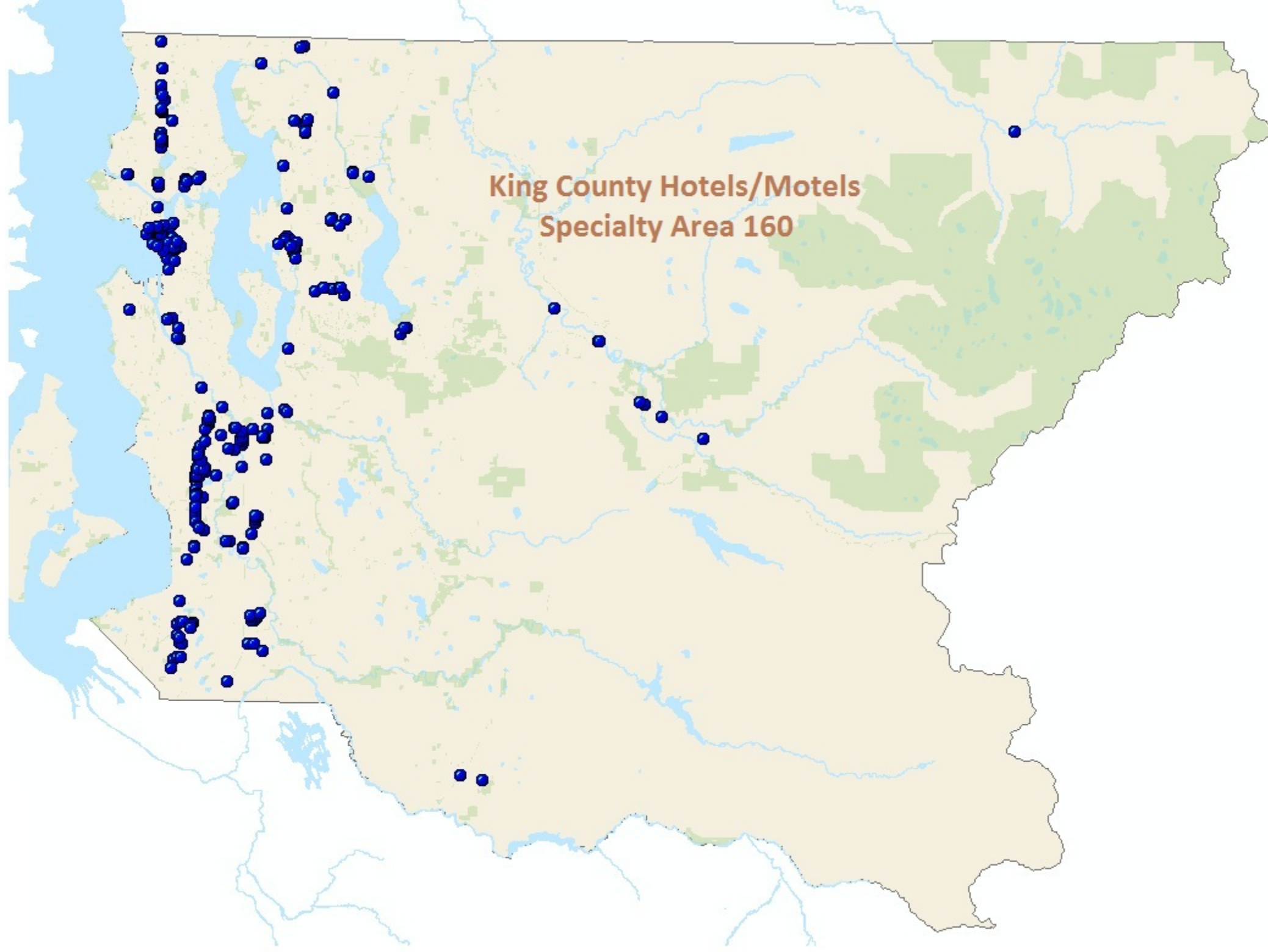
Marqueen Hotel



Best Western Loyal Inn Seattle



**King County Hotels/Motels
Specialty Area 160**



Executive Summary Report 2014 Assessment Roll

Appraisal Date: 1/1/14

Specialty Name: Hotels/Motels

Sales – Improved Analysis Summary: Number of Sales: 15

Range of Sales Dates: 4/7/2011 – 10/31/2013

No ratio studies were included within this report due to the limited number of improved sales within the hotel/motel specialty population.

A lodging specific income approach was used in the final reconciliation of value as it allows for greater equalization and uniformity of values for the wide range of hotel and motel types in the population. Current market metrics show a strong upturn for the lodging sector in King County. Many properties have returned to their prior peak values from 2007 and some have even surpassed these values. Several of the pending sales that occurred in 2014 (they are not included on the sales list used for this revalue) will show a stunning upward trend for Class A lodging properties in the Seattle and Bellevue areas.

Population – Parcel Summary Data			
	<i>Land</i>	<i>Improvements</i>	<i>Total</i>
<i>2013 Value</i>	\$1,207,042,663	\$2,613,447,590	\$3,820,820,253
<i>2014 Value</i>	\$1,312,795,454	\$3,300,388,645	\$4,613,166,198
<i>Percent Change</i>	8.76 %	26.28 %	20.74 %

Number of Parcels in the Population: 336

Conclusion and Recommendation:

Assessed values for the 2014 revalue have increased 20.74% for the combined population. Keep in mind this is a comparison of the year over year totals and does not mean each parcel went up by this amount.

The values recommended in this report improve uniformity and equity; therefore, it is recommended they should be posted for the 2014 Assessment Year Roll.

Analysis Process

Effective Date of Appraisal: January 1, 2014

Date of Appraisal Report: July 29, 2014

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in the records and considered in the valuation of the specific parcel

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a token value of \$1,000 is assigned to the improvements and the property is returned to the geographical appraiser.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this analysis.

- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

- ❖ **Name or Designation:** Hotels/Motels
- ❖ **Boundaries:** The properties are located throughout King County.

Maps:

A GIS map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Property Descriptions:

All hotels and motels within King County.

Market Regions:

The Hotel Specialty has been segmented into five market regions for King County. The following is a brief description of each market region

Downtown Hotels & Motels – 160-10

This is primarily the Seattle Central Business District geographic boundary. The region extends from Lower Queen Anne on the north to Safeco Field on the south, from Puget Sound on the west to Broadway on the East. There are presently 81 hotel and motel parcels in this area which comprise 25% of the hotel-motel population.

Greater Eastside Hotels & Motels – 160-20

This region is comprised of all properties located east of Lake Washington from the Bellevue city limits all the way north to the county line. This includes Mercer Island, Bellevue, Issaquah, North Bend, Snoqualmie, Kirkland, Redmond, Woodinville, and Bothell. There are 62 hotel and motel parcels in this region which make up 19% of the total hotel-motel population.

Northend Hotels & Motels – 160-30

All properties west of Lake Washington and from Capitol Hill north are in this region. Most of the motels are located along the Aurora Strip. There are 42 hotel and motel parcels in this area which account for 13% of the population.

SeaTac Hotels & Motels – 160-40

Properties located within West Seattle, Renton, Tukwila, South Center, and SeaTac generally describe this region. Many of the hotels and motels are along Pacific Highway South, also called International Boulevard South. There are 92 hotel and motel parcels in this area and they are 28% of the hotel-motel population.

Southend Hotels & Motels – 160-50

Properties located within Kent, Auburn, and Federal Way are in this region and south to the Pierce County line. This area has 54 hotel and motel parcels that make up 16% of the total hotel-motel population.

Hotel & Motel Types:

Hotels and motels have been segregated into limited service and full service types. The Assessor uses data from the Smith Travel Services (STR) Host Almanac to develop income models. This is primarily for the expense portion of the income model. The Average Daily Rate (ADR), Occupancy and Capitalization Rate are input by the appraiser. These are derived from market data collected from the properties themselves, local market metrics, market reports, surveys sent by the Assessor and from conversations with area brokers as well as property buyers and sellers. The following is a brief description of each type of hotel or motel.

Limited or Select Service Hotels/Motels

Hotels with rooms only operation with limited or no restaurant food (other than free breakfasts), typically no onsite bar or lounge, and no 24 hour room service, are considered limited service. Limited service properties typically do not offer full restaurant, lounge, or banquet services. However, they may offer some of these services. Some have meeting space but, not at the same scale of many full service hotels. Most limited and select service hotels are very dependent on their chain affiliation for consumer recognition, reservation contribution, and a perception of quality. There is one model for this category based on Pacific Region data from the STR report as well as locally surveyed data collected from local hotel/motel owners and managers, area brokers, buyers and sellers.

Full Service Hotels/Motels

There are a wide range of full service hotels. Some have basic restaurants, sometimes a lounge, meeting space, and a minimum service and amenities level. Others have the full suite of amenities including a quality restaurant and lounge, upper end exercise facilities, a pool and whirlpool, valet parking and more. There is one model for this category of hotel based on Pacific Region data from the STR report as well as locally survey data collected from local hotel/motel owners and managers, area brokers, buyers and sellers.

Hotel Class Descriptions

Limited and select service generally refers to midscale lodging facilities with limited or no food and beverage services. These hotels do not have on-site restaurants or other services that are provided by an employee other than the front desk or maid services. They may typically offer continental breakfasts, vending machine provisions, and/or small packaged items, Internet access or swimming pools are also available in many of these establishments. Limited-service hotels are abundant in numbers. These properties are less costly to construct and maintain. Food and beverage services are not very profitable due to high labor costs and supply associated with food provisions. They appeal to budget-conscious families and travelers who are willing to forgo frills in exchange for lower room prices and they depend largely on leisure travelers. A mid-market brand is one that offers a reasonable quality product at a lower rate by cutting back on or

eliminating multiple restaurants, meeting space, room service, bell staff, concierge, business centers, fitness facilities, etc. However, the rooms themselves can be comparable to those of more expensive full service lodgings. For the most budget conscious traveler, a lesser market brand or independently owned limited service motel offers a place to rest at marginal cost.

Full-service hotels offer a variety of services for their guests and nearly always include one or more restaurant and beverage service choices other than self-service—from espresso bars and lunch booths to cocktail lounges and stylish restaurants. They typically provide room service. It is also commonplace for these larger full-service hotels to have a range of retail stores on the premises, such as gift boutiques, newsstands, and drug and beauty counters, some of which may be geared to a swanky clientele. Most full-service hotels offer guests laundry and valet services, swimming pools, beauty salons, and fitness centers or health spas. A small—but growing—number of hotel chains also manage condominium units in combination with their hotel rooms, providing both hospitality guests and condominium owners access to the same benefits and amenities.

The largest hotels have banquet quarters, exhibit halls, and ample ballrooms/meeting rooms to accommodate conventions, business meetings, bridal parties, and other societal events. Conventions and corporate assemblies are major sources of revenue for these hotels. Commercial hotels are also known as conference hotels—fully self-contained properties specifically designed for large-scale events. They provide physical fitness and recreational facilities for attendees, in addition to state-of-the-art audiovisual and technical equipment, a business center, and banquet services. Large capacity amphitheaters with laptop and electrical outlets have been built in some of the newer hotels.

Full service lodgings, on the other hand, rely extensively on the business travel sector. The most experienced and efficient general managers persistently procure corporate contracts that improve occupancy during good times and shelter hotels during tough economic cycles. These executives recognize that meeting quarters, business centers, internet wireless access, convention type facilities, banquet space, and general amenities expected by the business travel sector are essential to the success of a full service hotel. They also continuously adapt to the ever changing business world and devise innovative techniques to stay at the forefront of the competition and realize the necessity of constant maintenance and upgrade of furniture, fixture, and equipment.

Economic Conditions

Locally and nationally, the lodging market has strengthened considerably. In fact, the Seattle/Bellevue metropolitan area is one of the more sought after markets in the lodging sector. There are a number of new hotel projects that have broken ground in the last year. There are also several more that will break ground in 2014 or 2015 and many others in the planning stages. See the table on Page 7 for a full list of current and future projects. Developers and investors don't risk large dollars on a new lodging project unless they are

extremely bullish on a given market. There are global and domestic lodging REIT's, global lodging companies with well recognized brands, private equity funds, partnerships and individual investors creating the development that is taking place.

According to Marcus & Millichap's Hospitality Research Report, the Pacific Northwest region (consisting of Washington and Oregon) ended 2013 as one of the strongest hotel markets in the country and is carrying considerable momentum in 2014. Limited construction has allowed existing lodging properties to increase their occupancy rates, daily room rates and overall profitability given demand is strong and there has been little supply added to the market place thus far. In fact, properties under construction represent just 2% of existing stock signaling that new properties are unlikely to erode the performance of existing properties. Regional occupancy is up 210 basis points to 63.5%. In Washington State, occupancy was up 160 basis points to 64.8% statewide, a level exceeded by only eight other states nationwide. Regional ADR's were up 4.3% to \$104.92 for the Pacific Region and Washington State's ADR was up 4.3% to \$108.75. Seattle's ADR was up 5.4% and RevPAR was up 7.9%.

The bottom line is that the lodging market is on solid footing, especially in metro areas that are doing well economically. According to the 2014 STR Host Almanac, overall industry Net Operating Income rose 10.2% to 25.2% of total revenues, exceeding the previous 2007 peak income level. In 2012, 13% of assets that traded were distressed however, in 2013 there was a 54% drop and only 7% were in a distressed situation. Seattle's Occupancy rate was up 2.5% to 72.5% overall and the local ADR was up 5% to \$127-130.

According to CoStar, the outlook for 2014 is robust with an abundance of equity and debt capital increasing global transaction volumes by 5% to 10%. U.S. hotel sales were \$28B in 2013, a 42% increase from 2012 and the strongest hospitality investment sales volume since 2007's \$42.9B. According to a February 4, 2014 article CoStar states that PKF Hospitality Research is bullish on hotels too. They are forecasting very strong gains in revenues and profits for the industry in 2014 and 2015, including a 6.6% increase in revenue per available room in 2014 and a 7.5% increase in 2015. Investors of all types are scouring markets for high quality, branded assets. According to one industry expert, "hotels will remain a targeted asset class for lenders as they can offer high yields relative to other real estate."

The lodging market within King County was on fire in 2013 with many hotel operators stating that they are finally now seeing Average Daily Rates (ADR's) and Occupancy numbers that are matching or even exceeding the market peaks of 2007.

Overall, the downtown Seattle and South Lake Union markets are doing the best. The Occupancy rates and ADR's in these urban cores have been steadily improving. According to Kidder Mathews Q4 2013 Hotel Report, downtown Seattle's Upscale Hotel annual occupancy rate is at 78% and South Lake Union at 79%. ADR's rose 6.1% and 8.5% to \$175 and \$154 respectively for the two markets. For Seatac, Upscale properties ended the year at an Occupancy rate of 78% and an ADR of \$116 and Midscale properties

ended at an Occupancy rate of 70% and an ADR of \$106. The Tukwila Midscale Occupancy rate improved by 1.5% to 68% and the ADR improved by 4.9% to \$107. Finally, the Eastside had some strong improvement with the Kirkland/Bothell market seeing Occupancy rates grow by 3.3% to 62% and ADR's growing by 4.4% to \$95 in the Midscale category.

There are several indicators that support the case for a strengthening lodging market in King County. The returned survey results of hotels and motels throughout King County, the physical inspection meetings throughout north Seattle and Shoreline, and the massive spike in newly planned hotels in the county, show performance is improving. This is the case for all five geographic neighborhoods, especially in the Midscale, Upscale and Luxury segments.

The total population of King County hotels and motels rose 20.74%. This is a sum of the various valuations made throughout the five neighborhoods and various property types within the hotel/motel specialty. Adjustments to value for a given neighborhood or property type depend on how their assessed value compared to fair market value after market analysis. Overall, downtown Seattle and downtown Bellevue properties are performing incredibly well and the secondary and tertiary markets are strengthening. When all this is added up, the overall change in year over year values for King County hotels and motels may be different than the articles and reports on the industry as a whole.

There were a few significant hotel sales in the last several and several very high profile sales that are pending in 2014. The combined sales and pending sales will show a stunning increase in value of quality lodging properties in the Puget Sound. There are fewer bank sales for smaller, limited service motels however there were a few of these that sold too.

The most recent was Residence Inn by Marriott in the downtown Bellevue market. This is a newer mid-rise hotel building with a globally recognized hotel brand in operation. It set the new sale record at \$307,117 per room (sometimes called per key). The second was Hotel Vintage Park which was bought by Kimpton Properties for \$253,816 per room. It is a well-established downtown property, albeit a more historic and with a boutique feel. The third was the sale of the Hilton Hotel Seattle for \$241,229 per room. It is in the downtown Seattle core and is a globally recognized brand. Both downtown Seattle sales are in line with sales of other downtown hotels that have occurred over the last three years; a range of \$200,000 to \$270,000 per room.

The fourth significant hotel sale was the Holiday Inn Seatac, which showed that hotel properties within airport vicinities are in demand. It commanded a price of \$102,308 per room and has since been converted to the Crowne Plaza Seatac Airport, an InterContinental Hotels Group brand (as is the Holiday Inn brand).

SIGNIFICANT HOTEL SALES					
HOTEL NAME	NUMBER OF ROOMS	SALE DATE	EXCISE NUMBER	SALES PRICE	PRICE PER ROOM
Residence Inn by Marriott Bellevue	231	10/31/13	2639539	\$70,944,020	\$307,117
Hotel Vintage Park	125	7/9/12	2552948	\$31,727,000	\$253,816
Hilton Hotel Seattle	237	9/11/12	2563668	\$57,171,260	\$241,229
Holiday Inn Seatac	260	7/31/12	2556438	\$26,600,000	\$102,308

There are a number of permitted hotels whose that have broken ground, will break ground soon or are in the planning stage.

HOTELS UNDER CONSTRUCTION OR PLANNED			
BRAND/DEVELOPER	LOCATION	ROOMS OR PLANS	BREAKING GROUND
R.C. Hendreen	Downtown Seattle on site of Greyhound Station	1,680	Not Announced
Marriott; White/Pepperman Properties	Downtown Bellevue at 200 110 th Ave NE	378	2013
Hilton Embassy Suites; American Life Insurance & Daniels Real Estate	North parking lot of Century Link Field	278-300	2014
Stanford Hotels Corp	South Lake Union at 300 Terry St. near Amazon.com	283	Not Announced
Midby Companies	1200 Stewart at Stewart & Denny	252	Not Announced
Kemper Development Company	Downtown Bellevue at Lincoln Square	250	Not Announced
Artemis Hotel; Yareton Investment Fund	Des Moines, Pacific Hwy South & South 224 th	230	2013
Hilton Garden Inn at Hill7; Touchstone	Downtown Seattle on Boren between Stewart & Howell	222	2013

Courtyard by Marriott	4501 12th Ave NE, University District Seattle	215	2013
SLS Hotel; Daniels Real Estate Company & Stockbridge Capital Group	Downtown Seattle at 5th & Columbia	184	Excavation 2013; Construction 2014
Touchstone	Kirkland Park Place	175	Not Announced
Gramor Development Washington	Northgate, south of mall at Marie Calendars site	174	Early Stages of MUP Process
Touchstone	Downtown Seattle at 1st & Stewart near Pike Place	161	2013
Hyatt Place; Ariel Development	Seatac at 19518 International Blvd	150	2016 Scheduled Opening
Hampton Inn & Suites	Downtown Bellevue	128	Opening 2014
Hyatt House; Kauri Investments	Downtown Seattle at 416 John St.	126	2013
Kemper Development Company	Downtown Bellevue, west of Bell Square	120	Not Announced
Wright Runstand & Co.	Bel-Red Area of 520 Corridor	200,000/SF	Not Announced
Silver Cloud Inns & Hotels	Bellevue at 200 108th Ave NE; site of Opus Bank	N/A	Purchased Land
Stonebridge Realty Advisors	Downtown Seattle at 5th and Stewart across from the Westin	18 Stories	Not Announced
Palladian Apartments; David Cohanin	Downtown Seattle/Belltown at 2000 2nd Ave	69 (conversion from apartment building)	Not Announced
The Kress Building	Downtown Seattle at 3rd & Pike	Plans submitted to build a hotel above current 3 story building	Not Announced
Eitel Building; Ariel Development	Downtown Seattle at 2nd & Pike	Plans to turn into a boutique hotel	Not Announced
Principal Financial Group	Downtown Seattle at 2nd & Stewart	120	Not Announced
Daola; RBF Property Group	1121 Stewart Street	78	Not Accounced

*Data compiled from local articles from the Daily Journal of Commerce, The Seattle Times, and The Puget Sound Business Journal

Capitalization Rates

In 2013, capitalization rates were relatively flat or had slight increases depending on the hotel class and region. Overall, national capitalization rates were between 2.9% and 14.0%.

2013 HOTEL/MOTEL CAPITALIZATION RATES				
SOURCE	DATE	TYPE	AVERAGE RATE/RANGE	PRIOR YEAR RATE/RANGE
HVS	Year End 2013	Full Service/Luxury – US	6.20% (2.90% - 7.90%)	5.80% (1.50% - 11.70%)
HVS	Year End 2013	Select Service & Extended Stay – US	7.40% (2.50% - 14.2%)	7.40% (4.00% - 11.70%)
HVS	Year End 2013	Limited Service – US	9.20% (5.40% - 12.90%)	9.30% (3.70% - 12.20%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area CBD: Luxury Hotels	7.25% (6.75% - 7.75%)	7.00% (6.00% - 8.00%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area Suburban: Luxury Hotels	8.00% (7.50% - 8.50%)	7.00% (6.00% - 8.00%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area CBD: Full Service	8.00% (7.50% - 8.50%)	8.00% (7.00% - 9.00%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area Suburban: Full Service	8.75% (8.00% - 9.50%)	8.00% (7.00% - 9.00%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area CBD: Select Service	8.50% (8.00% - 9.00%)	9.50% (8.50% - 10.50%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area Suburban: Select Service	9.00% (8.50% - 9.50%)	9.50% (8.50% - 10.50%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area CBD: Economy	9.50% (9.00% - 10.00%)	10.25% (9.50% - 11.00%)
CBRE Cap Rate Survey	Second Half 2013	Greater Seattle Area Suburban: Economy	10.00% (9.50% - 10.50%)	10.25% (9.50% - 11.00%)
IRR Viewpoint	Year End 2013	National Lodging – Full Service	8.50% (5.50% - 10.30%)	8.50%
IRR Viewpoint	Year End 2013	National Lodging – Limited Service	9.00% (6.25% - 11.30)	
IRR Viewpoint	Year End 2013	Seattle Lodging – Full Service	7.00%	
IRR Viewpoint	Year End 2013	Seattle Lodging – Limited Service	8.00%	
RERC	2Q 2013	Hotels – Seattle	7.90%	Flat Year Over Year

RERC	2Q 2013	Hotels – West Region	8.40% (6.00% - 11.00%)	Flat Year Over Year
RERC	2Q 2013	Hotels – US	8.50% (6.50% - 10.00%)	Flat Year Over Year
RERC	2Q 2013	NCREIF Implied Rates Hotels - US	7.40%	Down Year Over Year
CCIM Quarterly Trends Survey	4Q 2013	Hotels/Lodging – US	7.70%	Down Year Over Year

Physical Inspection Area

The physical inspection area for the 2014 Assessment Year took place from May to July and included all hotels and motels in geographic area 160-30, the north Seattle and Shoreline markets. This was an informative and valuable project. Each of the 38 properties was visited in the geographic area and this allowed the appraiser to gain valuable insight into the financial performance of the properties, the competitive sets (the defined set of competing properties that a hotel/motel benchmarks its performance goals and metrics against), and into the metrics for the various neighborhoods that compose the north Seattle market.

Scope of Data

Land Value Data

The geographic appraiser in the area in which the specialty property is located is responsible for the land value used by the specialty appraiser. See appropriate area reports for land valuation discussion.

Improved Parcel Total Value Data

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. A sales questionnaire was mailed to sellers and purchasers of properties which sold in Specialty Area 160. Participation was voluntary and the response was modest. In addition, sales were verified, when possible, by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Property characteristics are verified for all sales if possible. Sales are listed in the “Sales Used” and “Sales Not Used” sections of this report. Additional information resides on the Assessor’s website.

Improved Parcel Total Values

Sales Comparison Approach Model Description

The model for sales comparison was based on several data sources from the Assessor's records; whether a full or limited service hotel, number of rooms, year built, effective year, sale date, sale price, and sale price per room. There were 15 improved sales within the hotel/motel specialty dating from 4/7/2011 to 10/31/2013 and considered fair market transactions. The sales were organized by neighborhood, hotel type (limited service or full service), number of rooms, and quality level. A search was made on data that most closely fit a subject property within each geographic area. All sales were verified if possible by calling either the purchaser or seller, inquiring in the field, sending out a questionnaire, or calling the broker. Characteristic data was verified for all sales if possible. Sales are listed in the attached "Sales Used" appendix report.

Sales Comparison Calibration

After an initial search for comparable sales within each geographic area a search is made in neighboring areas and expands to include all of the county and nation if necessary. For the hotel specialty, hotel type (limited or full service), number of rooms, and quality level are important.

Cost Approach Model Description & Calibration

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application.

Income Capitalization Approach Model Description

Two income models were developed for income capitalization of hotels/motels. Each model is specific and is used for any hotel/motel depending on number of rooms, average daily rate, full, or limited service. All expenses used in the five models were obtained from industry averages compiled by the Host Almanac by Smith Travel Research (STR) 2013 Edition.

Model examples are contained in the Sample Worksheet Section. The models take into account all of the revenue and expense components that are relevant to the appraisal of hotels: hotel type (full or limited service), number of rooms, average daily rate,

occupancy rates, revenue per available room, additional revenues (food, telecommunications, rentals, and other income), departmental expenses, undistributed operating expenses, franchise and management fees, and fixed charges (property taxes and municipal charges, insurance, reserves for capital replacements).

The net operating income is capitalized and the personal property is deducted to arrive at the real property value which also generates a price per room and gross revenue multiplier. The assessor utilizes the appraisal methods developed by Stephen Rushmore, MAI. Adjustments are made to the average daily and occupancy rates to reflect the influence of location. Financial data is gathered through physical inspection, sales verification, financial publications, questionnaires mailed by the assessor, and information provided by the appellants for the purposes of appeals.

Income Approach Calibration

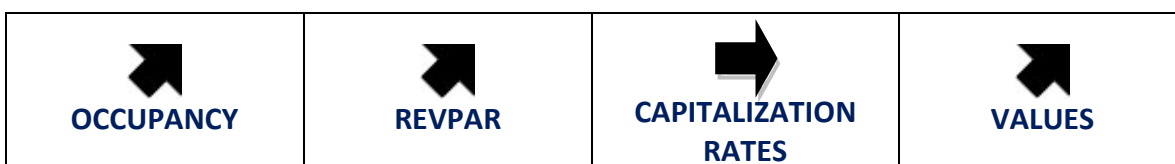
Each hotel and motel was valued on an individual basis. All values were then reviewed and calibrated to market tendencies. The assessor sends out a yearly income survey letter to all hotel owners in order to determine appropriate income and expense parameters.

Income: income parameters relevant to hotels are first and foremost measured by the hotel's Average Daily Rate and its typical Occupancy level. Hotels may also generate revenues through other sources such as food and beverage, telecommunications, banquet services, conventions, etc.

Expenses: most hotels' expenses are broken down into several categories: departmental expenses (rooms, food and beverage, telecommunications, other operated departments), undistributed expenses (administrative and general, marketing, utility costs, and property maintenance), franchise and management fees, fixed charges (property taxes and municipal charges), insurance, and reserves for replacement.

Capitalization Rates: the range of capitalization rates used by the assessor was derived from published sources as well as verified sales. Lower capitalization rates were applied to modern and higher quality hotels in the central business districts such as downtown Seattle and downtown Bellevue. Higher capitalization rates were applied to older, lesser quality hotels in more suburban locations.

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market sales approach was considered but most weight was given to the income approach.



*RevPar - Revenue Per Available Room

Model Validation

Total Value Conclusions, Recommendations and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

The total assessed value for the 2013 Assessment Year for Specialty Area 160 was \$3,820,820,253. The total recommended assessed value for the 2014 Assessment Year is \$4,613,166,198.

The income approach was primarily used to derive the total value for the Hotels. The land values were set by the geographic appraisers then subtracted from the total value to determine the improvement value. Land values appreciated by 8.76% and improvement values by 26.28%. Application of the recommended values for the 2014 Assessment Year (taxes payable in 2015) results in a total year over year change of 20.74%.

	2013 Total	2014 Total	% Change
TOTAL VALUE	\$3,820,820,253	\$4,613,166,198	20.74%

USPAP Compliance

Client and Intended Use of the Appraisal

This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **mass appraisal report** as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.

The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.

Definition and Date of Value Estimate

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65). The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Retrospective market values are reported herein because the date of the report is subsequent to the effective date of valuation. The analysis reflects market conditions that existed on the effective date of appraisal.

Highest and Best Use

RCW 84.40.030

All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.

An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.

WAC 458-07-030 (3) True and Fair Value -- Highest and Best Use

Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date of valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property Rights Appraised

Fee Simple

Wash Constitution Article 7 § 1 Taxation

All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. The word "property" as used herein shall mean and include everything, whether tangible or intangible, subject to ownership. All real estate shall constitute one class.

Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914)

“the entire [fee] estate is to be assessed and taxed as a unit”

Folsom v. Spokane County, 111 Wn. 2d 256 (1988)

“the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee”

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Assumptions and Limiting Conditions

1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.
4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.
5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.
7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.
8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.
11. An attempt to segregate personal property from the real estate in this appraisal has been made.
12. Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.
13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.
14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.
15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

Certification

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.
- The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification. Any services regarding the subject area performed by the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent their name.
- Any services regarding the subject area performed by me within the prior three years, as an appraiser or in any other capacity is listed below:

Physical inspection revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification and new construction evaluation.

Area	Nbhd	Major	Minor	Property Name	Sale Price	Rooms	Sales Price Per Room	Sale Date	Total NRA	SP/NRA	Zoning	Parcel Count	Ver. Code	Excise Tax #	Remarks
160	010	197570	0040	HILTON SEATTLE	\$57,171,260	237	\$241,229	09/11/12	126,240	\$452.88	DOC1 U/450/U	1	Y	2563668	Full Service
160	010	094200	0265	HOTEL VINTAGE PARK	\$31,727,000	125	\$253,816	07/09/12	67,390	\$470.80	DOC1 U/450/U	1	Y	2552948	Full Service
160	010	197570	0255	RED LION ON FIFTH AVENUE	\$63,700,000	319	\$199,687	06/14/11	272,787	\$233.52	DRC 85-150	1	Y	2495844	Full Service
160	010	066000	1832	PIKE STREET SUITES HOTEL - DOWNTOWN SEATTLE	\$51,839,722	195	\$265,845	05/02/11	128,375	\$403.81	NC3P-85	2	Y	2489753	Select Service
160	010	094200	0145	HOTEL MONACO	\$41,477,000	189	\$219,455	04/07/11	133,884	\$309.80	DOC1 U/450/U	1	Y	2486026	Full Service
160	020	322505	9069	RESIDENCE INN BY MARRIOTT - I-405 CORRIDOR BELLEVUE	\$70,944,020	231	\$307,117	10/31/13	211,385	\$335.62	OLB	1	Y	2639539	Select Service
160	020	112405	9082	DAY'S INN BELLEVUE (EASTGATE)	\$7,400,000	105	\$70,476	09/20/13	28,910	\$255.97	CB	1	Y	2633840	Budget
160	030	525430	0015	SHORELINE MOTEL	\$1,400,000	20	\$70,000	05/31/12	8,876	\$157.73	MUZ	1	Y	2547133	Economy
160	040	004000	0175	GREAT BEAR MOTEL	\$1,466,650	35	\$41,904	11/30/12	10,128	\$144.81	NCC	1	Y	2577382	Economy
160	040	282304	9180	HOLIDAY INN SEATAC	\$26,600,000	260	\$102,308	07/31/12	136,919	\$194.28	CB-C	3	Y	2556438	Full Service
160	040	526330	0025	STAR MOTEL - SEATTLE SOUTH	\$750,000	29	\$25,862	04/19/12	3,404	\$220.33	C1-65	2	Y	2539598	Economy
160	050	797880	0140	NEW HORIZON MOTEL	\$1,900,000	43	\$44,186	07/23/13	12,324	\$154.17	BC	1	Y	2619505	Economy
160	050	112204	9082	HAWTHORN SUITES - KENT	\$8,675,000	152	\$57,072	01/14/13	152,295	\$56.96	M1-C	1	Y	2586049	Budget
160	050	797820	0070	RIDGECREST MOTEL	\$397,200	11	\$36,109	02/03/12	3,396	\$116.96	RM3600	1	Y	2530082	Economy
160	050	212104	9078	SUPER 8 MOTEL	\$4,300,000	90	\$47,778	04/20/11	55,200	\$77.90	CE	1	Y	2488293	Budget

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
160	010	197460	0025	99,714	2632755	\$634,872	09/24/13	\$6.37	ALEXIS HOTEL (ARLINGTON BLDG)	DMC-160	2	43	Development rights parcel to prvt se
160	010	197720	1035	122,810	2585648	\$15,272	01/22/13	\$0.12	MOORE HOTEL & THEATRE	C 240/290	1	24	Easement or right-of-way
160	010	197460	0025	99,714	2593228	\$159,000	12/05/12	\$1.59	ARLINGTON HOTEL	DMC-160	2	66	Condemnation/eminent domain
160	010	094200	0430	331,281	2538903	\$7,600	03/20/12	\$0.02	RENAISSANCE MADISON HOTEL	DC1 U/450	1	18	Quit claim deed
160	020	011410	1232	5,833	2637234	\$550,000	10/02/13	\$94.29	WAGON WHEEL MOTEL ANNEX	RB	2		
160	020	282605	9078	32,724	2570538	\$8,670,905	10/01/12	\$264.97	MOTEL 6 - KIRKLAND	TL 4A	1	59	Bulk portfolio sale
160	020	894710	0010	27,460	2551868	\$7,312,500	06/29/12	\$266.30	MOTEL 6 - ISSAQUAH	PO	1	59	Bulk portfolio sale
160	020	112405	9082	28,910	2548267	\$5,150,000	06/04/12	\$178.14	DAY'S INN BELLEVUE	CB	1	23	Forced sale
160	020	112405	9082	28,910	2536161	\$3,670,400	03/23/12	\$126.96	DAY'S INN BELLEVUE	CB	1	15	No market exposure
160	030	099300	1825	17,054	2622238	\$2,400,000	07/31/13	\$140.73	TRAVELODGE MOTEL - SEATTLE NORTH	C1-65	1	51	Related party, friend, or neighbor
160	030	643000	0810	18,678	2505368	\$1,350,000	08/15/11	\$72.28	EVERSPRING INN	C1-40	1	61	Financial institution resale
160	030	099300	0495	5,700	2483662	\$1,130,000	03/24/11	\$198.25	GREEN LAKE MOTEL	C1-65	1	19	Seller's or purchaser's assignment
160	030	193130	0770	6,603	2483640	\$57,665	03/24/11	\$8.73	MOTEL, SFR, SHED	C1-40	1	18	Quit claim deed
160	030	569400	1090	6,843	2477043	\$7,000	01/27/11	\$1.02	FREMONT INN MOTEL	C1-40	1	22	Partial interest (1/3, 1/2, etc.)
160	040	282304	9051	22,100	2592995	\$1,590,000	02/22/13	\$71.95	RODEWAY INN - SEATAC	UH-900	1	15	No market exposure
160	040	526330	0826	11,563	2590992	\$1,480,000	02/22/13	\$127.99	LA HACIENDA MOTEL	IG2 U/85	1	61	Financial institution resale
160	040	526330	0826	11,563	2583162	\$1,450,000	12/26/12	\$125.40	LA HACIENDA MOTEL	IG2 U/85	1	63	Sale price updated by sales id group
160	040	032204	9014	33,528	2570542	\$5,379,822	10/01/12	\$160.46	MOTEL 6 SEATTLE SOUTH	CB	1	59	Bulk portfolio sale
160	040	282304	9190	27,216	2570543	\$5,757,122	10/01/12	\$211.53	MOTEL 6 - SEATAC	CB-C	1	59	Bulk portfolio sale
160	040	342304	9320	52,391	2515146	\$3,700,000	10/13/11	\$70.62	MOTEL 6	CB	3	23	Forced sale
160	040	332304	9142	36,648	2494157	\$3,948,000	05/30/11	\$107.73	QUALITY INN - SEATAC	CB-C	1	15	No market exposure
160	040	526330	0025	7,280	2480501	\$650,000	02/24/11	\$89.29	STAR MOTEL - SEATTLE SOUTH	C1-65	2	61	Financial institution resale
160	040	182305	9077	8,695	2475416	\$500,000	01/19/11	\$57.50	WEST WIND MOTEL -RENTON	CA	1	15	No market exposure
160	050	885600	2346	63,788	2584668	\$3,790,000	01/10/13	\$59.42	KING OSCAR MOTEL	HC	1	57	Selling or buying costs affecting sa
160	050	000660	0036	34,577	2574595	\$2,100,000	11/14/12	\$60.73	QUALITY INN & SUITES- KENT	M1-C	3	23	Forced sale
160	050	202104	9055	39,673	2568495	\$2,980,000	10/04/12	\$75.11	QUALITY INN & SUITES - FEDERAL WAY	CE	1	61	Financial institution resale
160	050	112204	9082	152,295	2533800	\$5,808,000	03/09/12	\$38.14	HAWTHORNE SUITES - KENT	M1-C	1	63	Sale price updated by sales id group